

Message Text

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ACTION STR-05

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 FEA-01 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01
INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01
AID-05 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02
OMB-01 /101 W
-----042583 112025Z /64

P R 111725Z OCT 77
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 1786
INFO AMEMBASSY HELSINKI
AMEMBASSY OSLO
AMEMBASSY REYKJAVIK

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USMTN

STR FOR ACTION

STR PASS CODEL

E.O. 11652: NA
TAGS: MTN ETRD FI IC NO
SUBJ: MTN NTM/NDWM CONSULTATIONS WITH NORDICS

1. U.S. DEL (NEWKIRK, HAMERSCHLAG, ET. AL.) HELD CON-
SULTATIONS WITH FINLAND (HAGFORS) NORWAY (SELMER) AND
ICELAND (SIGMUNDSSON) ON OCTOBER 7, 1977, REGARDING
U.S. NOTIFICATIONS OF NORDIC NON-TARIFF MEASURES NOT
BEING ALREADY DEALT WITH MULTILATERALLY (NTM/NDWM) IN
THE MTN. THE NORDIC SPOKESMAN (HAGFORS) AGREED WITH
U.S. DEL THAT THE PURPOSE OF THE CONSULTATIONS WAS
TO CLARIFY INFORMATION ON THE NTM'S NOTIFIED. WHILE
THEY WERE WILLING TO PROVIDE INFORMATION WITH RESPECT
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TO THE STATE MONOPOLIES CONTROLLING ALCOHOLIC BEVERAGES,
THEY REQUESTED THAT ANY FURTHER TREATMENT OF THESE
ITEMS BE UNDER THE AUSPICES OF GROUP AGRICULTURE PRO-
CEDURES.

2. U.S. DEL INDICATED THAT WE ARE IN THE PROCESS OF
COMPILING REQUEST LISTS TO BE SUBMITTED BY NOVEMBER 1.

THE MEASURES NOTIFIED WERE BASED UPON INFORMATION OBTAINED FROM U.S. PRIVATE ADVISORY GROUPS AND WILL BE FURTHER ANALYZED IN LIGHT OF THE CLARIFICATIONS GAINED FROM THE CONSULTATIONS.

3. A SUMMARY OF THE DISCUSSION IS AS FOLLOWS:

(A) ICELAND - (1) CREDIT RESTRICTIONS: LIBERALIZED IMPORTS, COVERING 90 PERCENT OF ICELAND'S IMPORTS, CAN BE PURCHASED ON A CASH BASIS WITH NO RESTRICTIONS ON FOREIGN EXCHANGE AVAILABILITY. ITEMS LISTED IN ORDINANCE NUMBER 89 OF 1976 CAN BE IMPORTED FREELY, WITH CREDIT TERMS OF UP TO THREE MONTHS. SPECIAL BANK AUTHORIZATION IS REQUIRED TO OBTAIN CREDIT RANGING FROM THREE TO TWELVE MONTHS, WITH THE MINISTRY OF COMMERCE ESTABLISHING GUIDELINES FOR CREDIT APPROVAL. TO OBTAIN CREDIT FOR OVER 12 MONTHS, GOVERNMENT APPROVAL IS REQUIRED. IN RESPONSE TO A U.S. QUESTION, SIGMUNDSSON STATED THAT THE BANKS' GUIDELINES ARE NOT HARD AND FAST (AND, INDEED, ARE NOT IN WRITTEN FORM), BUT THAT THE BANKS ARE REQUIRED TO TAKE ACCOUNT OF BALANCE OF PAYMENTS CONDITIONS. THE CREDIT RESTRICTIONS ARE APPLIED WITHOUT DISCRIMINATION AS TO THE SOURCE OF IMPORTS.

(2) STATE TRADING IN COMMUNICATIONS
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EQUIPMENT: UNDER LAW NUMBER 30 OF 1941 A STATE ENTITY HAS THE SOLE RIGHT TO ESTABLISH, OPERATE, AND, CONSEQUENTLY, IMPORT WIRELESS COMMUNICATION EQUIPMENT IN ICELAND. SINCE THE DOMESTIC MARKET IS SO SMALL, NO PUBLIC TENDERING PROCEDURES ARE FOLLOWED. PURELY COMMERCIAL CRITERIA AND TECHNICAL COMPATIBILITY WITH ICELAND'S EXISTING SYSTEMS ARE TAKEN INTO ACCOUNT IN PURCHASES.

(3) EXCISE TAX ON AUTOS: ASSESSMENT OF THE 50 PERCENT EXCISE TAX IS BASED ON DUTIABLE VALUE OF IMPORTS, WITH NO PREFERENCES GIVEN TO EFTA OR EC COUNTRIES.

(4) TAX ON TIRES: THE PROCEEDS OF THE 45 KR PER KILO TAX (APPROXIMATELY 50 U.S. CENTS PER POUND) GO TO A ROUND FUND FOR MAINTANCE OF NATIONAL ROADS. THE TAX IS APPLIED TO IMPORTS FROM ALL SOURCES, AND THERE IS NO DOMESTIC PRODUCTION.

(5) LICENSE FEE: THE SURCHARGES ON LICENSED INPUTS OF 0.5 PERCENT IS EFFECTIVELY IMPOSED ON ONLY 2 PERCENT OF ICELAND'S IMPORTS SINCE THE BULK

OF IMPORTS ARE LIBERALIZED, WHILE A REDUCED 0.1 PERCENT FEE IS IMPOSED ON PETROLEUM PRODUCTS. THE FEE COVERS ADMINISTRATIVE COSTS OF ISSUING LICENSES AND AMOUNTS TO 25 KR (12 U.S. CENTS) OR 0.5 PERCENT OF THE IMPORT VALUE, WHICHEVER IS HIGHER.

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(6) STATE MONOPOLY ON ALCOHOLIC BEVERAGES. DISPUTE THE STATE CONTROL AND ADVERTISING PROHIBITION, SIGMUNDSSON MAINTAINED THAT NEW SUPPLIERS COULD DEVELOP A MARKET IN ICELAND FOR NEW PRODUCTS. AS AN EXAMPLE, HE NOTED THAT A U.S. VODKA, UNKNOWN IN ICELAND THREE YEARS AGO, IS NOW THE MOST POPULAR BRAND, OUTSELLING RUSSIAN VODKA BY A MARGIN OF 3 TO 1. NO LIST OF PRODUCTS IS MAINTAINED BY THE STATE AGENCY WITH PURCHASES MADE BASED ENTIRELY ON DOMESTIC DEMAND.

(B) NORWAY (1) PORT TAX: THE TAX IS IMPOSED ON ALL SHIP-BORNE IMPORTS IN A NON-DISCRIMINATORY FASHION. A RECENT LAW HAS EXEMPTED EXPORTS FROM THIS FEE. PROCEEDS ARE DIRECTED TO PORT MAINTANCE.

(2) EXCISE TAX ON AUTOS: THE RATE OF ASSESSMENT IN THE U.S. NOTIFICATION IS

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CORRECT. SELMER ADMITTED THAT THE TAX IS ASSESSED ON THE DUTY-PAID VALUE, WHICH FAVORS EC AND EFTA PRODUCTS.

(3) STATE MONOPOLY IN ALCOHOLIC BEVERAGES: SELMER POINTED OUT THAT LISTING OF PRODUCTS IS DONE WITHOUT DISCRIMINATION AS TO SOURCE. DUE TO THE BAN ON ADVERTISING OF THESE PRODUCTS, HE CONDEDED THAT NEW PRODUCTS FROM NEW SUPPLIERS FACE A DIFFICULT SITUATION TO DEVELOP A DOMESTIC MARKET.

(C) FINLAND (1) EXCISE TAX ON AUTOS: HAGFORS STATED THAT THE TAX IS APPLIED WITHOUT DISCRIMINATION AS TO SOURCE. HIGHER TAXES ON MORE EXPENSIVE AUTOS ARE BASED UPON GREATER ABILITY OF SUCH PURCHASER TO PAY AS WELL AS ENERGY CONSERVATION CONSIDERATIONS.

(2) STATE MONOPOLY ON ALCOHOL: STATE CONTROL OF ALCOHOLIC BEVERAGE SALES AND TIGHT ADVERTISING RESTRICTIONS ARE BASED UPON SOCIO-ECONOMIC REASONS. HAGFORS INDICATED THAT 500 PRODUCTS ARE ALREADY LISTED BY THE AGENCY WHICH BASES ITS PURCHASES UPON COMMERCIAL CONSIDERATIONS, INCLUDING QUALITY, PRICE AND MARKETING POSSIBILITIES. ITEMS NOT LISTED CAN BE IMPORTED PRIVATELY THROUGH THE STATE MONOPOLY.

(3) DISCRIMINATORY FILM TAX: THE LAW PROVIDING FOR PREFERENTIAL TREATMENT OF DOMESTIC FILMS WAS ABOLISHED ON 9 JANUARY 1970.

(4) CREDIT RESTRICTION ON AUTOS: THE CREDIT CONDITIONS IN THE U.S. NOTIFICATION
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APPLY ONLY WITH RESPECT TO AUTOS PURCHASED ON INSTALLMENT AND DO NOT APPLY TO ALL AUTOMOBILE IMPORTS. THE MEASURE IS MAINTAINED FOR BOP REASONS.

(5) IMPORT EQUALIZATION TAX: THIS MEASURE HAS BEEN IN EFFECT SINCE 1971 TO EQUALIZE THE TAX BURDEN ASSUMED BY IMPORTS WITH THAT BORNE BY DOMESTIC PRODUCTS, THE LATER INCLUDING TAXES OCCULTES BY VIRTUE OF THE TURNOVER TAX METHOD OF ASSESSMENT.

HAGFORS DID NOT KNOW WHETHER AN EQUIVALENT REBATE COVER-
ING TAXES OCCULTES WERE ACCORDED TO EXPORTS.

4. COMMENT: THE NORWEGIAN DISCRIMINATORY APPLICATION
OF THE EXCISE TAX ON AUTOS AND THE FINNISH DISCRIMIN-
ATORY CREDIT TERMS FOR U.S. AUTO IMPORTS ARE TWO
MEASURES WHICH MAY BE WORTHY PURSUING FURTHER VIA
REQUESTS. HOWEVER, IN LIGHT OF THEIR MINIMAL TRADE
IMPACT, THE NON-DISCRIMINATORY NATURE OF APPLICATION,
AND RELATIVELY SMALL U.S. TRADE INTEREST, U.S. MTN
DEL SUGGESTS THAT FEW, IF ANY, OF THESE OTHER MEASURES
SHOULD BE SUBJECT TO FORMAL REQUESTS. END COMMENT.

5. DRAFTED BY WALLAR.MCDONALD

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